

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7264

BILL NUMBER: HB 1404

NOTE PREPARED: Jan 16, 2011

BILL AMENDED:

SUBJECT: Coal bed methane.

FIRST AUTHOR: Rep. Cherry

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT:

Summary of Legislation: This bill requires the Natural Resources Commission (NRC) to (1) regulate coal bed methane wells; (2) establish alternative spacing, unit, and bonding requirements for coal bed methane wells; (3) maintain a public record containing certain information on coal bed methane wells; and (4) adopt rules requiring the notification of a property owner before property is entered for oil and gas or coal bed methane purposes. The bill provides for regulation of coal bed methane wells and other gas wells in a similar manner. The bill allows the NRC to require an owner or operator to modify the location for the drilling of a well for oil and gas or coal bed methane purposes under certain circumstances. It amends the well plugging requirements. The bill allows an owner or operator of a coal mine to vent coal bed methane under certain circumstances.

The bill provides for the establishment of an estate in land with respect to coal bed methane comparable to an estate that may be established under current law with respect to oil and gas. The bill limits the exercise of rights in certain circumstances under a coal bed methane estate if the exercise would affect miner safety or coal resources.

The bill allows an owner or holder of mineral rights to coal to file an affidavit identifying a minable coal resource.

It requires the Division of Oil and Gas to post applications for coal bed methane permits on its web site. The bill prohibits the issuance of a permit less than 15 days after the posting and establishes other conditions to permit issuance.

A conveyance or reservation of rights to coal or oil and gas will not be considered as including the rights to

coal bed methane unless there has been a specific grant.

A coal operator's venting of coal bed methane gas in connection with mining operations is not considered to be a waste or diminution of resources.

Effective Date: July 1, 2011.

Explanation of State Expenditures: The Department of Natural Resources (DNR) provides administrative support for the Natural Resources Commission. The DNR will experience an increase in administrative expenses due to the provisions of the bill. The DNR Division of Oil & Gas must maintain a website of permit applications and adopt rules. Certain interested parties may file documents with the DNR Division of Reclamation. However, the bill's requirements are within the DNR's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DNR.

Local Agencies Affected:

Information Sources: Chris Smith, DNR, 233-6904.

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